

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Premier Financial Bancorp, Inc.

Point of Contact:	Brien M .Chase, SVP & CFO	RSSD: (For Bank Holding Companies)	2007647
UST Sequence Number:	1078	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	22,252,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	October 02, 2009	City:	Huntington
Date Repaid ¹ :	N/A	State:	West Virginia

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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☒ **Increase reserves for non-performing assets.**

Premier injected additional capital into two troubled banks the company acquired in 2009, helping the banks increase their reserves for non-performing assets and giving the borrowers sufficient time to develop and execute plans to repay the loans.

☐ **Reduce borrowings.**

☐ **Increase charge-offs.**

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☒ **Purchase another financial institution or purchase assets from another financial institution.**

One of Premier's subsidiary banks, Citizens Deposit Bank & Trust, was able to purchase 4 branches (and the related loans and deposits) from another financial institution. Citizens Deposit Bank was able to keep all 4 branches open in these rural Appalachian communities.

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

In 2009, Premier used \$14.3 million of the TARP funds received to reduce the outstanding debt at a troubled bank holding company acquired in 2009. Premier also used \$5.1 million of TARP funds to inject capital into one of the subsidiary banks of the acquired bank holding company, Adams National Bank. Adams National Bank was considered a troubled institution by its primary banking regulatory authority. In 2010, Premier used an additional \$1.0 million of TARP funds to inject capital into Adams National Bank and used \$250,000 of the TARP funds to inject capital into another subsidiary bank of the 2009 acquired holding company, Consolidated Bank & Trust. Premier's injection of additional capital into Adams National Bank and Consolidated Bank & Trust from the TARP funds served to strengthen the capital position of the banks as they worked through a specific list of troubled loans. As a result of the acquisition and subsequent capital injection by Premier, both banks were able to adjust these loans to an estimated net realizable (or fair) value. These adjustments should help to minimize any potential future losses on these loans and give the bank and those borrowers sufficient time to develop and execute plans to repay the loans. Successful repayment and the avoidance of future losses on these loans will protect the bank's capital from further deterioration and thus ultimately protect the bank's depositors. In 2010, due to the capital strength of Premier Financial resulting from the CPP funds, one of Premier's subsidiary banks, Citizens Deposit Bank & Trust, was able to purchase 4 branches (and the related loans and deposits) from another financial institution. These branches were being sold to help strengthen the selling bank's financial position. Citizens Deposit Bank was able to keep all four branches open preserving the local customers' access and convenience to banking services in these rural Appalachian communities. In 2011, the remaining \$1.6 million of TARP funds was held in reserve for other potential capital injections into any of Premier's five subsidiary banks which were not needed during the year. Premier will continue to hold the remaining \$1.6 million of TARP funds for other potential capital injections into any of Premier's five subsidiary banks, as needed.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.